

# Ask the ITA

## Using an Export Management Company

*Does your firm have the time and specialized knowledge to enter new markets? Do you have the resources or personnel necessary to develop an export business? Is your business growing at a satisfactory rate? Is your firm receiving inquiries from overseas buyers? If you answered "no" to any of the first three questions and "yes" to the last question, you may want to consider turning over the job of building an export business to a specialized export sales firm called an export management company (EMC).*



### WHAT IS AN EXPORT MANAGEMENT COMPANY?

An EMC is an independent firm that acts as the exclusive export sales department for non-competing manufacturers. EMCs work to develop exports for their clients. An EMC functions in foreign markets just as a sales representative or exclusive wholesaler functions for a manufacturer in the U.S. market. An EMC usually has a formal agreement with manufacturers (which the EMC often calls the "principal" or the "factory") to "manage" their exports. Sometimes EMCs will represent all of a manufacturer's product line, but not always. The EMC usually receives exclusive rights to sell in all foreign markets.



### HOW DO EMCs ACT AS AGENTS?

The EMC establishes a presence in foreign markets by soliciting orders from foreign customers in the name of the manufacturer. Invoicing is done in the name of the manufacturer, and the EMC helps the manufacturer with all the details of the export transaction. The manufacturer bears the risk of nonpayment, and it may be asked to extend credit to the foreign customer. "Agent" EMCs are paid a commission on export sales. The EMC may suggest an export price, but manufacturers have the final say on prices and whether to accept orders.



### HOW DO EMCs ACT AS DISTRIBUTORS?

More frequently, an EMC will operate as an exclusive distributor on a buy-sell basis. The EMC buys products from the manufacturer at set prices and resells them to foreign customers at prices established by the EMC. The EMC is responsible for invoicing and bears the risk of nonpayment.

The EMC pays the manufacturer on agreed terms—usually similar to the manufacturer's terms for its best U.S. customers.

When the EMC acts as a distributor, the manufacturer may have no control over export prices or know the identity of foreign customers. However, many EMCs work closely with their principals on both pricing and customer relations. This is particularly true if the products are technical and call for special servicing or installation.

### EMCs Come in All Shapes and Sizes

No matter what your product, there is an EMC capable of handling your export business. But they are not all alike. Some EMCs are relatively large, handling lines of dozens of U.S. manufacturers from a wide range of industries and in turn exporting to most world markets. Other EMCs might deal with just a few clients or a limited number of products, or focus on doing business in selected export markets. While EMCs may offer a general or full range of export facilitation services, some EMCs have specialized expertise in particular export activities, such as in-country market research and promotion.



### IS AN EMC RIGHT FOR YOUR BUSINESS?

All manufacturers lacking export experience should consider an EMC. Even sophisticated exporters may want to consider using an EMC for selected products for some foreign markets. Firms looking for new markets in order to accelerate their business growth should also consider using an EMC.

### How It Works

EMCs usually have long-standing sales networks abroad. Some have established foreign sales and warehousing subsidiaries. But more commonly, EMCs appoint export agents, or sales representatives, and networks of exclusive distributors and dealers in each foreign market.

Most EMCs are experienced in all facets of exporting, including marketing, travel, locating buyers, and customs procedures. Typical strengths include the expertise to handle all exporting and sales details as well as the ability to establish a strong foreign distribution system. EMCs can answer inquiries, prepare quotations, record orders, handle shipping details, and get paid.

EMCs can be relied upon to reduce the manufacturer's overall export costs and risks. Their profits are based on how successfully they export. Thus, they are motivated to do a good job.



## WHAT IS THE COST OF USING AN EMC?

An EMC's charges to its principals vary depending upon the product, the degree of promotion required, and the EMC's method of operation. An EMC operating on a commission basis will usually want a commission that equals—or exceeds—your best domestic commission. This might range from 10 percent for consumer goods to 15 percent or more for industrial products. EMCs functioning on a buy-sell basis will ask for the best U.S. discount plus an extra discount.

In addition to commissions or discounts, an EMC may charge for other items. Some EMCs will ask for “special event” contribution like a 50/50 sharing of costs to exhibit in a foreign trade show. EMCs may require contributions for advertising and other promotional activities. A few EMCs ask for monthly retainers, especially in the early stages of establishing export sales.

### Build Your Export Business

EMCs already have a network of foreign agents and distributors, so export sales will come more quickly. Your product, if compatible, will have a built-in distribution system. If you were to build your own export distribution channels, it would take much longer to realize sales, and the related export risks and costs would increase. Even when EMCs must build new distribution channels to meet the needs of their clients, the in-country expertise and overseas contacts of the EMC should accelerate business development. Thus, an EMC saves a client time and money.

### Some Limitations

Export management companies are not the answer for all export situations. Most EMCs are relatively small and may have limited financial resources. Thus, some may not be able to stock products, or offer extended in-house financing to foreign customers.

#### **An EMC Can Represent Export-Oriented Joint Ventures** Export Trade Certificate of Review Program

An EMC acting as an agent or as a distributor, whether independent or created by member clients, can be a hub through which joint exporting is facilitated among the members. The U.S. Commerce Department's Export Trade Certificate of Review can provide U.S. antitrust protection to the EMC and participating firms that join together to engage in export activities, such as setting export prices, consolidating shipments, bidding on large or complex contracts, and sharing export information and costs. Additional information is available at [www.export.gov/oetca](http://www.export.gov/oetca). See also the August 2002 issue of *Export America* for an introduction to the Export Trade Certificate of Review.

EMCs focus their efforts on those products that bring them the most profits. New product lines, or those with perceived limited potential, may be overlooked.

Many EMCs do not cover Canada. Yet Canada is among the best potential export markets for many U.S. products and new-to-export firms.

With EMCs, manufacturers relinquish some degree of control over the export effort. When an EMC acts on a buy-sell basis, manufacturers sometimes have no control over who buys, the selling price, or the degree of promotion.

### Locating an EMC

There are several sources that are useful in locating an export management company.

The Federation of International Trade Associations (FITA) has a Web-based directory of EMCs (<http://fita.org/emc.html>). The directory is searchable by product capability. While this tool is a good place to start, it is not comprehensive and other sources may help you narrow the field.

Trade publications, especially association and marketing magazines, also identify EMCs serving a particular product field or export market.

U.S. Department of Commerce Export Assistance Centers are familiar with EMCs and gladly assist in identifying suitable local partners for their clients. However, the best EMC for your products may be located in another part of the country and unknown to your local Export Assistance Center, so do not hesitate to call Export Assistance Centers elsewhere, especially in port cities. A complete list of Export Assistance Centers is on the back of this magazine or available through [www.export.gov](http://www.export.gov).

The U.S. Commerce Department's MyExports® *Trade Assistance Directory* is a rich resource for U.S. producers to locate EMCs and other export service providers. The MyExports® directory of EMCs is available on-line at [www.myexports.com](http://www.myexports.com), in print through Export Assistance Centers, or from the publisher at (877) 390-2629.

Like any other firm, an EMC will have strengths and weaknesses. When selecting an EMC or other export facilitator, always obtain background information on the firm's business, export service specialization (if any), and export experience and successes, as well as talk with other clients regarding the EMCs methods of operation. ■

Sources for this compilation include the FITA Web site and the Office of Export Trading Company Affairs.